



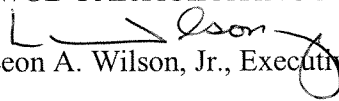
**COMMITTEE FOR PURCHASE FROM
PEOPLE WHO ARE BLIND OR SEVERELY DISABLED**

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September 22, 2006

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**MEMORANDUM FOR CHIEF EXECUTIVE OFFICERS
JWOD-PARTICIPATING NONPROFIT AGENCIES**

FROM:  Leon A. Wilson, Jr., Executive Director

SUBJECT: JWOD Program 2007 CNA Fee Ceiling

EFFECTIVE: October 1, 2006

The purpose of this memorandum is to update and clarify policy regarding the Central Nonprofit Agency (CNA) Fee applied to Javits-Wagner-O'Day (JWOD) Program contracts. As you know, the JWOD Program creates employment opportunities for people who are blind or who have other severe disabilities through the fulfillment of Federal contracts, and is administered by the Committee for Purchase From People Who Are Blind or Severely Disabled (Committee). The purpose of the CNA Fee is to provide funding for the operations of the Committee-designated CNAs, National Industries for the Blind and NISH (serving people with severe disabilities).

The Committee has approved a policy clarifying that the CNA Fee is neither an add-on to the JWOD Program's fair market price nor a pass-through to the Government, but is included in overhead. The CNA fee is an inherent part of the fair market price. As always, each participating nonprofit agency must remit the appropriate fee to its CNA. The Committee reviews the CNA Fee ceiling each year and determines the level for the following year, which is posted at http://www.jwod.gov/jwod/library/CNA_FEE.html. The 2007 CNA Fee ceiling has been posted, and is marginally lower than the historical four percent.

The foundation of JWOD fair market pricing is price analysis. The Committee requests your help in communicating this to our customers. When negotiating recommended fair market prices with your Contracting Officers, price analysis should be used for any JWOD contract that has equivalent or similar counterparts in the commercial market. With price analysis as the methodology, changes in the CNA Fee ceiling (a nonprofit agency business cost) do not affect existing fair market prices. A fair market price on September 30, 2006 is a fair market price on October 1, 2006. There will be no discounts or rebates to Federal customers as a result of the 2007 CNA Fee ceiling determination.

Where there are no commercial equivalent items, and cost analysis must be used, the CNA Fee should be included in overhead costs, not as a separate line item. This fee is similar to those paid by commercial firms to belong to trade and industry associations related to their government contracts, and is considered an allowable cost. Specific disclosure of this cost element is not required of commercial firms, and is not specifically addressed in price negotiations.

The attached questions and answers are intended to provide further information on this issue. Please contact your CNA if you have any questions.

Attachment

An Independent Agency of the United States Government Established by the Javits-Wagner-O'Day Act. **JWOD**



Frequently Asked Questions – JWOD Program 2007 CNA Fee Ceiling Determination

1. What is the CNA Fee?

The purpose of the CNA Fee is to provide funding for the operations of the Central Nonprofit Agencies (CNAs) – National Industries for the Blind and NISH (serving people with severe disabilities) – designated by the Committee for Purchase From People Who Are Blind or Severely Disabled (Committee) in accordance with the provisions of the Javits-Wagner-O'Day (JWOD) Act. The fee is a percentage of the revenue of each contract on the JWOD Program Procurement List. The Committee establishes the fee ceiling annually for each CNA.

2. Who pays the CNA Fee?

The CNA Fee is paid by JWOD-participating nonprofit agencies to their Central Nonprofit Agency, either National Industries for the Blind or NISH, to fund CNA operations. The CNA Fee is not an add-on to the JWOD Fair Market Price, nor is it a pass-through to the Government.

3. When is the updated CNA Fee Ceiling effective, and is this rate permanent?

The FY 2007 CNA Fee Ceiling is effective on October 1, 2006, for the entire Fiscal Year. Each year, the Committee reviews the CNAs' budgets and planned activities, and determines the fee ceiling for the following year. The Committee will make another determination for FY 2008. The Committee's web site will show the CNA Fee ceiling in effect for the current Fiscal Year at http://www.jwod.gov/jwod/library/CNA_FEE.html.

4. What does the change in the CNA Fee Ceiling for 2007 mean to nonprofit agencies?

Nonprofit agencies should go to the Committee's web site to see the current CNA Fee ceilings for NIB and NISH, which are posted at http://www.jwod.gov/jwod/library/CNA_FEE.html. The new CNA Fee Ceilings will be applied to prices negotiated in FY 2007, to include Procurement List additions, renegotiated base year prices for products contracts, and services with follow-on year agreements that include a provision reflecting any change in the CNA Fee Ceiling. Nonprofit agencies will continue to remit the Fee to their CNA, as always.

5. How will the 2007 CNA Fee be applied? Does it apply only to certain contracts or across the board?

The new CNA Fee ceilings will be applied to prices negotiated in FY 2007, to include new Procurement List additions, renegotiated base year prices for product contracts, and services with follow-on year agreements that include a provision reflecting any change in the CNA Fee ceiling. Procurement List products and services with existing prices that are not due for renewal in FY 2007 remain unchanged.

6. What if the nonprofit agency has multiple JWOD contracts, and wants to receive the new fee rate on all of them?

The Committee does not expect existing contract prices to be renegotiated for the sole purpose of applying the 2007 CNA Fee ceiling rate uniformly – the current price is a Fair Market Price set by the Committee. If nonprofit agencies have multiple JWOD contracts, it is likely that they will have different CNA Fees over time.

7. Will the nonprofit agencies end up assuming a greater financial responsibility for the CNAs' operations than before?

No. The nonprofit agencies have always provided the CNA Fee to either NIB or NISH. The nonprofit agencies have always been required to deliver their products or services at a fair market price. The CNA Fee is similar to fees paid by commercial firms to belong to trade and industry associations related to their government contracts, and thus are simply another cost component of a bottom line market price.

8. Will the change in CNA Fee for 2007 impact the support NIB and NISH provide to their associated nonprofit agencies?

The CNAs have the discretion to adjust their budgets to maintain the same effective rate of fee as they have collected in the past. However, the Committee does not anticipate any appreciable change in the support NIB and NISH provide to their associated nonprofit agencies as a result of the 2007 CNA Fee ceiling change, which is marginally lower than the previous fee ceiling.

9. Why did the Committee change the Fee Ceiling for 2007?

The Committee has a regulatory responsibility to review the budgets and business plans of the CNAs and to determine the appropriate CNA Fee ceilings for the following year. While these fees have historically remained at four percent, the Committee determined that the CNAs could accomplish their planned activities with a lower fee ceiling in FY 2007.

10. What does the new CNA Fee Ceiling for 2007 mean to my Federal customers?

The CNA Fee should be invisible to Federal customers. The Committee has clarified that the fee is paid by the nonprofit agencies, and is not added on to the cost of contract performance to achieve a fair market price. The JWOD fair market price is to be validated in the commercial marketplace through price analysis. As the price is market-driven, any change in the CNA Fee (a nonprofit agency cost of doing business) does not affect customers' existing prices. Customers will continue to pay the fair market price.

11. What if the JWOD product or service does not have a commercial equivalent, then how is the price validated?

The Committee recognizes that for truly Government-unique requirements, it is necessary to use cost analysis to evaluate pricing proposals. In these cases, the CNA Fee will not be a separate

line item, but included in overhead costs. As noted above, this fee is similar to those paid by commercial firms to belong to trade and industry associations related to their government contracts. Specific disclosure of this cost element is not required of commercial firms, is considered an allowable cost, and is not specifically called out in price negotiations.

12. What impact will the new CNA Fee ceiling have on existing contract prices?

None. A change in the CNA Fee paid by nonprofit agencies to their CNA does not change or affect existing contract prices. A fair market price on Sept. 30, 2006 remains a fair market price on October 1, 2006.

13. As the CNA Fee is the responsibility of the nonprofit agency, not the Government, can the Government seek a discount or rebate on JWOD pricing if the fee ceiling decreases?

There will be no discounts or rebates to Committee-established fair market prices as a result of the CNA Fee ceiling change. The CNA Fee has always been sent to NIB or NISH by the nonprofit agency from their contract revenues. The Committee's addition and price change procedures have always required Contracting Officers' concurrence that the proposed fair market price is reasonable. With firm, fixed prices established, the variations in the nonprofit agency's costs are not applicable to the Government.

14. Is the CNA Fee negotiable like other cost elements in order to reach a price agreement?

No. The CNA Fee is not a stand-alone cost element in JWOD pricing proposals. JWOD pricing proposals will focus on market price indicators, not cost elements, unless there is no equivalent market for the Government requirement.

15. Who may I contact for more information?

Federal customers may contact the Committee staff at info@jwod.gov or (703) 603-7740 for more information. Nonprofit agencies may contact their Central Nonprofit Agency.